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# DUANE, MORRIS & HECKSCHER

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August 22, 1995

Secretary  
Interstate Commerce Commission  
Constitution Avenue and 12th Street, N.W.  
Washington, DC 20423  
Attention: Recordation Unit

19588  
RECORDATION NO. 19588 FILED 1425  
SEP 5 1995 -2 45 PM  
INTERSTATE COMMERCE COMMISSION

Gentlemen:

Enclosed for filing and recording under 49 U.S.C. §11303(a) and the regulations promulgated thereunder are two originals and two copies of a Security Agreement by and among Andrew M. Muller, Jr., Carol S. Muller and Meridian Bank dated August 9, 1995, which is a primary document and has not been previously filed. The names and addresses of the parties to the Security Agreement are as follows:

**Debtors:**

Andrew M. Muller, Jr. and Carol S. Muller  
16 Snowdrift Road  
RD #3, Box 290  
Kutztown, PA 19530

**Secured Party:**

Meridian Bank  
601 Penn Street  
Reading, PA 19603

The Security Agreement covers twenty (20) 100-ton gondola railroad cars numbered CSMX 3701-3720, inclusive.

Also enclosed is a check in the amount of \$21.00 representing the required recordation fee for filing the Security Agreement. Please return the original and any extra copies not needed by the Commission for recordation to:

Dianne A. Meyer, Esquire  
Duane, Morris & Heckscher  
4200 One Liberty Place  
Philadelphia, PA 19103-7396.

RECEIVED  
OFFICE OF THE  
SECRETARY  
SEP 5 2 42 PM '95  
LICENSING BRANCH

A short summary of the document to appear in the index is as follows:

Security Primary Document:

Security Agreement between Andrew M. Muller, Jr. and Carol S. Muller with an address at 16 Snowdrift Road, Kutztown, Pennsylvania 19530 and Meridian Bank with an address at 601 Penn Street, Reading, Pennsylvania 19603 dated August 9, 1995 and covering the following:

Rolling Stock:

Type  
twenty (20)  
100-ton gondola  
railroad cars

Equipment Numbers  
CSMX 3701-3720,  
inclusive

Very truly yours,



Dianne A. Meyer  
for DUANE, MORRIS & HECKSCHER

DAM:lb-r  
Enclosure

SECURITY AGREEMENT

SEP 5 1995 - 2 45 PM

This SECURITY AGREEMENT is made on August 9, 1995 by and among ANDREW M. MULLER, JR. and CAROL S. MULLER, husband and wife (collectively, the "Borrowers" and each individually, a "Borrower"), and MERIDIAN BANK, a Pennsylvania banking corporation (the "Secured Party").

BACKGROUND

- A. The Borrowers have executed in favor of the Secured Party a Note dated March 29, 1995 in the amount of \$2,543,750 (the "Note").
- B. The Secured Party is willing to grant the extensions of credit contemplated by the Note only on the condition that the Borrowers execute and deliver this Security Agreement to the Secured Party.
- C. Capitalized terms which are used herein without definition shall have the meanings ascribed to them in the Note. Other terms used herein without definition that are defined in the Uniform Commercial Code, as enacted in Pennsylvania and in effect on the date hereof (the "Uniform Commercial Code") shall have the meanings ascribed to them therein, unless the context requires otherwise.

NOW, THEREFORE, intending to be legally bound, the Borrowers and the Secured Party hereby agree as follows:

Section 1. Creation of Security Interest. The Borrowers hereby grant to the Secured Party a lien and security interest in and to the locomotives and rolling stock set forth on Exhibit A hereto, and all accessories, parts and equipment now or hereafter affixed thereto or used in connection therewith, and all additions, replacements, attachments, accessions and substitutions to or for any Equipment, and all books and records evidencing or relating to the foregoing, including, without limitation, billing records of every kind and description, customer lists, data storage and processing media, software and related material, including printouts, punch cards and tab runs, and all proceeds, which term shall have the meaning given to it in the Uniform Commercial Code and shall additionally include but not be limited to, whatever is received upon the use, lease, sale, exchange, collection or other utilization or any disposition of any of the collateral described above, whether cash or noncash, and including without limitation, rental or lease payments, accounts, chattel paper, instruments, documents, contract rights, general intangibles, equipment, inventory and insurance proceeds; and all such proceeds of the foregoing.

## Section 2. Secured Obligations.

The security interest created herein is given as security for the prompt payment, performance, satisfaction and discharge of the following obligations ("Obligations"):

(a) The obligations of the Borrowers to pay the principal, interest, commitment fees and any other liabilities of the Borrowers to the Secured Party under the Note and the other Borrower Loan Documents in accordance with the terms thereof;

(b) The satisfaction of all of the other liabilities of the Borrowers to the Secured Party, whether hereunder or otherwise, whether now existing or hereafter incurred, whether or not evidenced by any Note or other instrument, matured or unmatured, direct, absolute or contingent, joint or several, including any extensions, modifications, renewals thereof and substitutions therefor;

(c) The indebtedness and obligations of each of the Borrowers under the Guaranty of the Borrowers to the Bank dated December 14, 1990, as amended on September 29, 1992 and March 3, 1994, guaranteeing the obligations of Reading Blue Mountain & Northern Railroad Company under the Amended and Restated Loan Agreement between Reading and the Secured Party dated March 3, 1994;

(d) The repayment to the Secured Party of all amounts advanced by the Secured Party hereunder or otherwise on behalf of the Borrowers, including, but without limitation, advances for principal or interest payments to prior secured parties, mortgagors or lienors, or for taxes, levies, insurance, rent, wages, repairs to or maintenance or storage of any Collateral; and

(e) The reimbursement of the Secured Party, on demand, for all of the Secured Party's expenses and costs, including the reasonable fees and expenses of its counsel, in connection with the negotiation, preparation, administration, amendment, modification, or enforcement of the Note and the other Borrower Loan Documents.

## Section 3. Representations and Warranties.

Each of the Borrowers as of the date hereof and until the Obligations shall have been fully paid, represents and warrants as follows:

3.1 Good Title to Collateral. Each of the Borrowers has good and marketable title to the Collateral free and clear of all liens and encumbrances other than the security interests granted to the Secured Party hereunder and those Encumbrances set forth in the Note.

3.2 Location of Books and Records. The locations where the Borrowers maintain their books and records concerning the Collateral are as set forth in Exhibit B or at the location(s) hereafter disclosed to the Secured Party pursuant to Section 5.5 hereof.

3.3 Location of Equipment. All Equipment of the Borrowers is located at one or more of the addresses set forth in Exhibit B or at the location(s) hereafter disclosed to the Secured Party pursuant to Section 5.5 hereof.

3.4 Other Representations. Each representation, warranty or other statement by the Borrowers in, or in connection with, any of the Borrower Loan Documents is true and correct and states all material facts necessary to make it not misleading.

Section 4. Collection, Disposition and Use of Collateral. So long as there has been no Default hereunder, the Borrowers shall be permitted to use their Equipment in the ordinary course of their business. No sale, lease or other disposition of any item of equipment shall be permitted, except as the Secured Party shall have expressly approved in writing. Notwithstanding the foregoing, the Borrowers may lease locomotives and other rolling stock to Reading and transfer such locomotives and rolling stock to Reading as a contribution to the capital of Reading with the prior written approval of the Secured Party.

Section 5. Covenants and Agreements of the Borrowers.

5.1 Maintenance and Inspection of Books and Records. The Borrowers shall maintain complete and accurate books and records and shall make all necessary entries therein to reflect the costs, values and locations of the Equipment. The Borrowers shall keep the Secured Party fully informed as to the location of all such books and records and shall permit the Secured Party and its authorized agents to have full, complete and unrestricted access thereto at any reasonable time and to inspect, audit and make copies of all books and records, data storage and processing media, software, printouts, journals, orders, receipts, invoices, correspondence and other documents and written or printed matter related to any of the Collateral. The Secured Party's rights hereunder shall be enforceable at law or in equity, and the Borrowers consent to the entry of judicial orders or injunctions enforcing specific performance of such obligations hereunder.

5.2 Physical Inspection of Equipment. The Borrowers shall permit the Secured Party and its authorized agents to inspect any or all of the their Equipment at all reasonable times upon prior reasonable notice.

5.3 Notice of the Secured Party's Interests. If requested by the Secured Party, the Borrowers shall give notice of the Secured Party's security interests in the Collateral to any third person with whom the Borrowers have any actual or prospective contractual relationship or other business dealings.

5.4 Insurance of Collateral. The Borrowers shall keep their Equipment insured against such perils, in such amounts and with such insurance companies as set forth in the Note. The Borrowers expressly authorize their insurance carriers to pay proceeds of all insurance policies covering any or all of the Collateral directly to the Secured Party.

5.5 New Locations of Collateral and Books and Records. The Borrowers shall immediately notify the Secured Party of any change in the location of its chief executive office, of any new or additional address where its books and records concerning the Collateral are located and of any new locations of Equipment not specified in Sections 3.2 or 3.3 of this Security Agreement, and if any such location is on leased or mortgaged premises, promptly furnish the Secured Party with landlord's or mortgagee's waivers in form and substance satisfactory to the Secured Party.

5.6 Perfection of the Secured Party's Interests. The Borrowers agree to cooperate and join, at its expense, with the Secured Party in taking such steps as are necessary, in the Secured Party's judgment, to perfect or continue the perfected status of the security interests granted hereunder, including, without limitation, the execution and delivery of any financing statements, amendments thereto and continuation statements, the delivery of chattel paper, documents or instruments to the Secured Party, the obtaining of landlords' and mortgagees' waivers required by the Secured Party, the notation of encumbrances in favor of the Secured Party on certificates of title, and the execution and filing of any collateral assignments and any other instruments requested by the Secured Party to perfect its security interest in any and all of the Borrowers' general intangibles related to the Equipment. The Secured Party is expressly authorized to file financing statements without the signature of the Borrowers.

5.7 Maintenance of Equipment. The Borrowers shall care for and preserve the Equipment in good condition and repair, and will pay the cost of all replacement parts, repairs to and maintenance of the Equipment. The Borrowers will keep complete and accurate maintenance records with respect to its Equipment.

5.8 Notification of Adverse Change in Collateral. The Borrowers agree immediately to notify the Secured Party if any derailment occurs with respect to the Collateral or any event occurs or is discovered which would cause any material diminution in the value of any significant item or type of Collateral.

5.9 Reimbursement and Indemnification. The Borrowers agree to reimburse the Secured Party on demand for out-of-pocket expenses incurred in connection with the Secured Party's exercise of its rights under this Security Agreement. The Borrowers agree to indemnify the Secured Party and hold it harmless against any costs, expenses, losses, damages and liabilities (including reasonable attorney's fees) incurred in connection with this

Security Agreement, other than as a direct result of the Secured Party's gross negligence or willful misconduct.

5.10 After-Acquired Collateral. Each Borrower shall give the Bank thirty (30) days prior written notice of any intended purchase or other transaction by which either Borrower shall obtain title to any type of Collateral for which filing pursuant to the Uniform Commercial Code is not the sole method of the perfection of the Secured Party's security interest, i.e. the regulations of the Interstate Commerce Commission regarding the perfection of a security interest in locomotives and other rolling stock.

Section 6. Power of Attorney. The Borrowers hereby appoints the Secured Party as its lawful attorney-in-fact to do, at the Secured Party's option, and at the Borrowers' expense and liability, all acts and things which the Secured Party may deem necessary or desirable to effectuate its rights under this Security Agreement, including without limitation, (a) file financing statements and otherwise perfect any security interest granted hereby, (b) correspond and negotiate directly with insurance carriers, and (c) upon the occurrence of Default hereunder, communicate with third parties for the purpose of protecting or preserving the Collateral.

Section 7. Default.

The occurrence of any one or more of the following shall be a default ("Default") hereunder:

7.1 Default Under Note. The occurrence of an Event of Default under the Note or any of the Loan Documents.

7.2 Failure to Observe Covenants. The failure of the Borrowers to keep, observe or perform any provisions of this Security Agreement, which failure is not cured and remedied within fifteen (15) days after notice thereof is given to the Borrowers.

7.3 Representations, Warranties. If any representation, warranty or certificate furnished by the Borrowers under or in connection with this Security Agreement shall, at any time, be materially false or incorrect.

Section 8. Secured Party's Rights Upon Default

Upon the occurrence of a Default hereunder, or at any time thereafter, the Secured Party may immediately and without notice do any or all of the following, which rights and remedies are cumulative, may be exercised from time to time, and are in addition to any rights and remedies available to the Secured Party under the Note or any other Loan Document:

8.1 Uniform Commercial Code Rights. Exercise any and all of the rights and remedies of a secured party under the Uniform

Commercial Code, including the right to require the Borrowers to assemble the Collateral and make it available to the Secured Party at a place reasonably convenient to the parties.

8.2 Operation of Collateral. Operate, utilize, recondition and/or refurbish (at the Secured Party's sole option and discretion and in any manner) any of the Collateral which is Equipment, for the purpose of enhancing or preserving the value thereof or the value of any other Collateral.

8.3 Sale of Collateral. Upon five (5) business days' prior written notice to the Borrowers, which the Borrowers hereby acknowledge to be sufficient, commercially reasonable and proper, sell, lease or otherwise dispose of any or all of the Collateral at any time and from time to time at public or private sale, with or without advertisement thereof and apply the proceeds of any such sale first to the Secured Party's expenses in preparing the Collateral for sale (including reasonable attorneys' fees) and second to the complete satisfaction of the Obligations. The Borrowers waive the benefit of any marshalling doctrine with respect to the Secured Party's exercise of its rights hereunder. The Borrowers grant a royalty-free license to the Secured Party for all patents, service marks, trademarks, tradenames, copyrights, computer programs and other intellectual property and proprietary rights sufficient to permit Secured Party to exercise all rights granted to Secured Party under this Section.

#### Section 9. Notices.

Every notice and communication under this Agreement shall be given as set forth in the Note.

#### Section 10. Miscellaneous.

10.1 No Waiver. No delay or omission by the Secured Party in exercising any right or remedy hereunder shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any further exercise thereof or the exercise of any other right or remedy.

10.2 Preservation of Rights. The Secured Party shall have no obligation or responsibility to take any steps to enforce or preserve rights against any parties to any Account and such obligation and responsibility shall be those of the Borrowers exclusively.

10.3 Successors. The provisions of this Security Agreement shall inure to the benefit of and be binding upon the Secured Party and the Borrowers and their respective successors and assigns, provided that the Borrowers' obligations hereunder may not be assigned without the written consent of the Secured Party.

10.4 Amendments. No modification, rescission, waiver, release or amendment of any provisions of this Security Agreement



shall be effective unless set forth in a written agreement signed by the Borrowers and an authorized officer of the Secured Party.

10.5 Governing Law. This Security Agreement shall be construed under the internal laws of the Commonwealth of Pennsylvania without reference to conflict of laws principles.

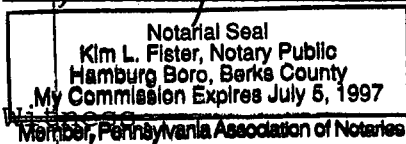
10.6 Severability. If any provision of this Security Agreement shall be held invalid or unenforceable under applicable law in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of such provision in any other jurisdiction or the validity or enforceability of any other provision of this Security Agreement that can be given effect without such invalid or unenforceable provision.

10.7 Judicial Proceedings. Each party to this Agreement agrees that any suit, action or proceeding, whether claim or counterclaim, brought or instituted by any party hereto or any successor or assign of any party, on or with respect to this Agreement or the dealings of the parties with respect hereto, shall be tried only by a court and not by a jury. EACH PARTY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. Further, each party waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. THE BORROWERS ACKNOWLEDGE AND AGREE THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND THAT THE SECURED PARTY WOULD NOT EXTEND CREDIT TO THE BORROWER IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS AGREEMENT.

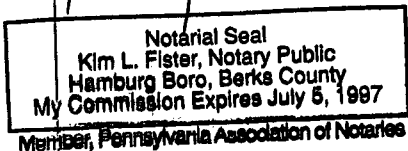
IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be executed and delivered by their authorized officers the day and year first above written.

Witness:

*Kim L. Fister*



*Kim L. Fister*



*Andrew M. Muller, Jr.*

ANDREW M. MULLER, JR.

*Carol S. Muller*

CAROL S. MULLER

MERIDIAN BANK

By: *David S. Cohen*  
Title: *Vice President*

EXHIBIT A

ROLLING STOCK

<u>Type</u>	<u>Equipment Numbers</u>	<u>Seller</u>
100-ton gondola railroad cars	twenty (20) railroad cars numbered CSMX 3701-3720, inclusive	Progress Rail Services

EXHIBIT "B"

Location of books and records:

16 Snowdrift Road  
RD #3, Box 290  
Kutztown, PA 19530

Location of Equipment:

On railway lines owned by Reading Blue Mountain & Northern Railroad Company and related entities and to be interchanged with Conrail and any other Class 1 railroad for use, including but not limited to, in hauling certain chemical materials from Pennsylvania to Canada.

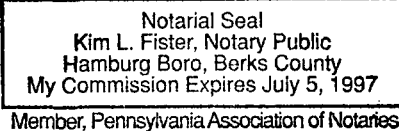
COMMONWEALTH OF PENNSYLVANIA :  
:SS.  
COUNTY OF BERKS :

On the 9<sup>th</sup> day of August, 1995, before me, the subscriber, a Notary Public for the State and County aforesaid, personally appeared Andrew M. Muller, Jr. and Carol S. Muller known to me (or satisfactorily proven) to be the persons whose names are subscribed to the within instrument, and acknowledged that they executed the same for the purposes therein contained.

Witness my hand and Notarial seal the day and year aforesaid.

Kim L. Fister  
Notary Public

My Commission Expires:



COMMONWEALTH OF PENNSYLVANIA :  
: SS.  
COUNTY OF BERKS :

On the 9<sup>th</sup> day of August, 1995, before me, a Notary Public in and for the State and County aforesaid, personally appeared Paul D. Cohn, who acknowledged himself to be the Vice President of MERIDIAN BANK, a Pennsylvania banking corporation, that he as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the banking corporation by himself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Sandra K. Henderson  
Notary Public

My Commission expires:

